INTERNATIONAL SHOE COMPANY

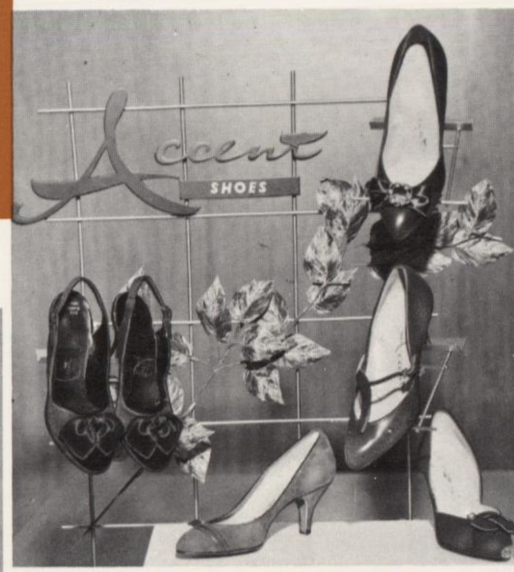
ISCO

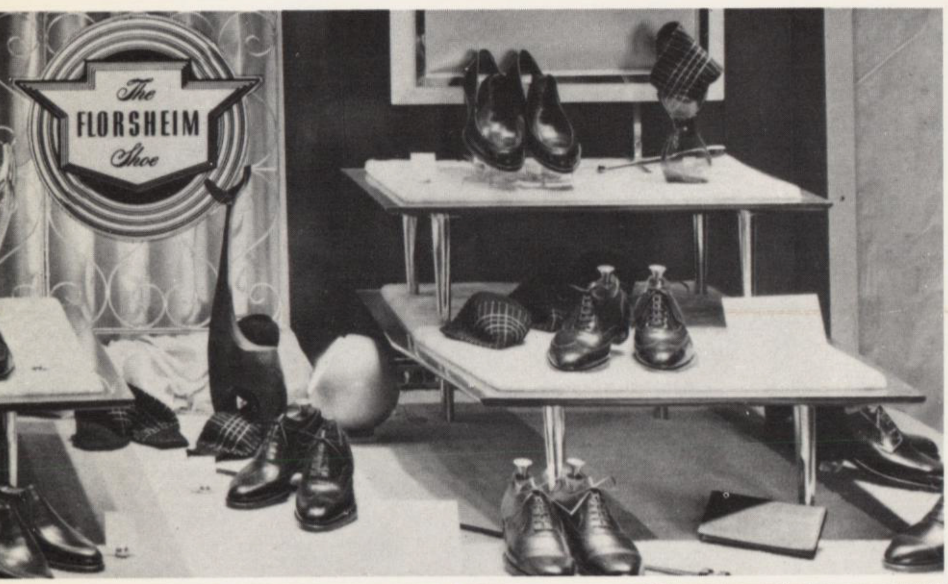
1958 ANNUAL REPORT

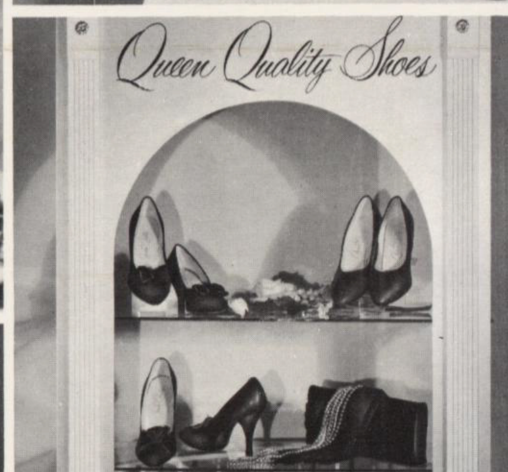
ISCO

EFFECTIVE DISPLAYS SELL SHOES

Build Brand Recognition







47th Annual Report

INTERNATIONAL SHOE COMPANY

For the Year Ended November 30, 1958

DIRECTORS

WILLIAM J. BANKS	CLEMENCE L. HEIN	HENRY H. RAND
EDGAR S. BLAND	ANDREW W. JOHNSON	NORFLEET H. RAND
MAURICE R. CHAMBERS	J. LEE JOHNSON	REZIN H. RICHARDS
HAROLD M. FLORSHEIM	LEE C. McKINLEY	RICHARD O. RUMER
IRVING S. FLORSHEIM	ROBERT O. MONNIG	LAURENCE M. SAVAGE
BYRON A. GRAY (RETIRED JANUARY 1, 1959)	OLIVER F. PETERS	ALBERT V. WHEELER

OFFICERS

BYRON A. GRAY (RETIRED JANUARY 1, 1959)	Chairman of the Board
HENRY H. RAND	President
ANDREW W. JOHNSON	Vice-President
OLIVER F. PETERS	Vice-President
ROBERT O. MONNIG	Vice-President and Treasurer
J. LEE JOHNSON	Vice-President
REZIN H. RICHARDS	Vice-President
HAROLD M. FLORSHEIM	Vice-President
LEE C. McKINLEY	Vice-President
MAURICE R. CHAMBERS	Vice-President
NORFLEET H. RAND	Vice-President
RICHARD O. RUMER	General Counsel
WILLIAM J. BANKS	Comptroller and Asst. Secretary
WARREN P. METZ	Secretary and Asst. Treasurer

GENERAL OFFICES

1509 WASHINGTON AVE., ST. LOUIS 66, MO.

TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.
Mercantile Trust Company, St. Louis, Mo.

REGISTRARS

Guaranty Trust Company, New York, N. Y.
St. Louis Union Trust Company, St. Louis, Mo.

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The Annual Meeting of Stockholders

will be held at 10:00 A. M. on February 24, 1959, at the Company's General Offices, 1509 Washington Avenue, St. Louis, Missouri.

Highlights of the Year – 1958

Fiscal Years Ended November 30	1958	1957
Net Sales.........................	$244,313,888	$266,073,480
Income before Federal and Canadian Income Taxes........	15,553,509	18,674,526
Federal and Canadian Taxes on Income......................	7,938,113	9,095,045
*Net Income......................	7,540,549	9,577,281
Percent of Net Sales...........	3.1	3.6
Per Share......................	2.25	2.86
Dividends Paid....................	7,042,808	8,053,933
Dividends per Share..............	2.10	2.40
Income Retained.................	497,741	1,523,348
Current Assets....................	121,661,768	126,004,662
Current Liabilities................	24,871,628	28,964,350
Working Capital..................	96,790,140	97,040,312
Working Capital Ratio............	4.9	4.4

***After adjustment for minority interests.**

ANNUAL MESSAGE

from the Chairman of the Board and the President

... to the Stockholders

Your Company and the shoe industry, at the manufacturing level, felt the full effect of the downturn in the national economy in the first half of 1958 and experienced some recovery in the second half. You will find highlights of the Company's results for the fiscal year 1958 on the opposite page.

Orders for spring 1959 have been booked in substantial volume since selling began about the middle of October. If the level of activity indicated by these order bookings continues, the outlook for 1959 is one of recovery to levels approximating 1957.

Retail shoe sales nationally were somewhat higher in 1958 than in 1957. This points to a reduction in the inventory of shoes in the hands of distributors. The booking of new orders for shipment in 1959 confirms the fact that retailers are in more urgent need of shoes than they have been for some time in the past.

The trend toward lower-priced footwear continued in 1958. This is demonstrated by comparing the average wholesale price for shoes with the wholesale price index of identical shoes published by the Bureau of Labor Statistics. This shows that since 1947-1949 identical shoes increased in price about 25%, while the average price of shoes produced by the industry actually declined. The substantial increase in the distribution of cheap sandalized and slipper-type shoes screens the fact that the production and distribution of shoes of good quality sold in medium-priced brackets have not kept pace with the increases shown by the industry in its total production.

During the year, steps were taken to improve our Company's position in the lower-priced field.

Your management continues to devote much study to the problem of retail distribution. Your Company has historically depended upon the independent retailer. Economic developments since World War II which adversely affected the position of the independent shoe retailer have been reflected in the Company's results.

Through Shoenterprise Corporation and our Merchants Service program many fine retail outlets have been established. The acceptance of these stores by the consuming public has proven the need for family shoe stores handling good-quality, medium-priced merchandise. The problems of increasing the number of such stores in the many places needing them are receiving top priority in your management's thinking and planning.

Our quarterly dividend rate per share was reduced from 60¢ to 45¢ with the July 1 payment. The October 1 payment was at the same rate. Total dividend for the year was $2.10 per share.

In commenting on this dividend action in our midyear report, we explained that we have felt for some time the need for improvement in the Company's liquidity. Although we look for higher earnings, dividend consideration must be guided by the importance of maintaining the Company's sound financial position. In May 1958, the first scheduled payment of $1.5 million was made on the Company's $12 million 3⅛% promissory note. The next payment of $1.5 million falls due in May 1959.

While results for 1958 fell short of our earlier expectations, a number of aggressive moves were made during the year toward increased volume and lower operating costs. The organization and manufacturing facilities have been geared to take full advantage of the higher sales indicated for 1959. It is reasonable to expect an increase in net income in line with the anticipated increase in sales.

Your management expresses its appreciation for the continued loyalty and support of its many customers, employees and stockholders upon whom the Company is dependent for its success.

FOR THE BOARD OF DIRECTORS

Byron A. Gray
CHAIRMAN OF THE BOARD

Henry H. Rand
PRESIDENT

December 31, 1958

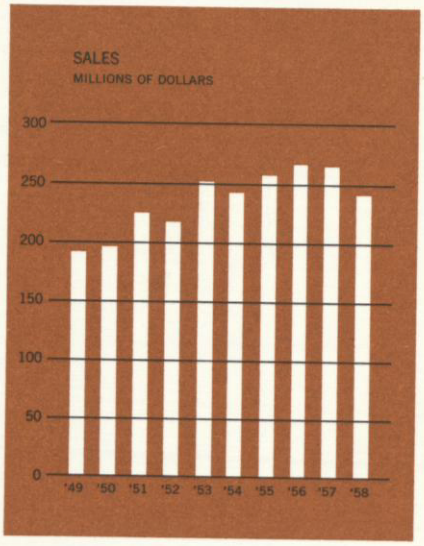
BYRON A. GRAY, Chairman of the Board of Directors, announced his retirement effective January 1, 1959, within a few days of his 70th birthday and in the 50th year of his association with the Company. Employed as bookkeeper in 1909, he was made auditor in 1924 and a director in 1925. He served as secretary and vice-president, became president in 1939, chairman of the board in 1950. He is a director of St. Louis Union Trust Company and First National Bank in St. Louis. He has served as a director of the National Association of Manufacturers and recently was made an honorary director of the National Shoe Manufacturers Association.

Through his leadership and guidance he has contributed much to the Company's sound position. Enjoying the friendship and esteem of shoe industry and civic leaders, as well as his Company associates, good wishes and warm regards are his in abundance as he retires.

THE YEAR IN REVIEW

SALES

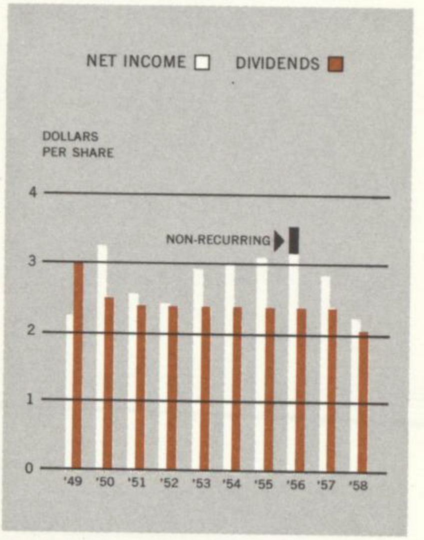
Net sales for the year of $244,313,888 compared with $266,073,480 for the prior year. This year's sales included no military business which last year amounted to $5,179,742. Civilian sales of $244,313,888 compared with $260,893,738 for a year ago, a decrease of 6%. Sales in the second half of the year showed a good increase over sales in the first half. 1957 sales in the second half were slightly below the first half.



Two significant moves were made by our Company during the year to improve its presently limited participation in the sale of shoes in the low-priced field.

On June 2, 1958, our Company acquired the Caribe Shoe Corporation, a going shoe manufacturing business in Puerto Rico. This acquisition holds considerable promise for the production of low-priced shoes under favorable conditions.

Early in November 1958, our Company entered into a three-year agreement with the Utrilon Corporation for the exclusive distribution of Utrilon's plastic footwear in the United States. Utrilon products are also sold in Australia, England, France and South Africa. These shoes, which are completely molded in one operation, will be offered in men's, women's and children's sizes in a variety of styles and colors. They will be priced to retail at $1.98 to $4.98 per pair.



NET INCOME

Net income of $7,540,549 for the year compared with $9,577,281 in 1957. Per share this amounted to $2.25 compared with $2.86 a year ago.

Improvement of 23¢ per share was shown in the second half earnings of $1.24 which compared with $1.01 for the first half.

COSTS – PRICES

Shoe prices on most lines were increased effective with the spring 1959 lines presented to the trade in October. The increase was made to provide for the higher wage rates in the new wage contract of October 1.

The hide and leather market which remained within a narrow price

range during the past three years turned sharply upward in November, leveling off at prices well above those used in the first pricing of the spring 1959 lines. Shoe prices will again be increased effective January 5 to reflect the higher leather prices.

The I.B.M. 705 electronic computer reached the forty-hour-a-week production level on schedule at the middle of the year and has been meeting all expectations. Programming continues and the computer is expected to perform additional work until its use is extended to a full second shift. Executives carrying important responsibilities in preproduction planning are finding the rapid, accurate information produced by the computer invaluable in the accomplishment of more precision-type operation through all phases of procurement and production.

A significant reduction in finished shoe inventories has been accomplished with improved service out of a smaller stock.

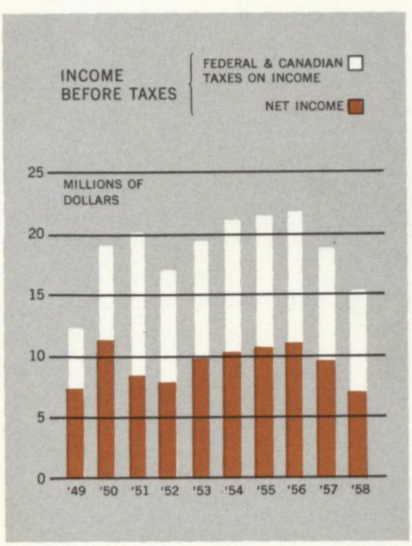
The year's results absorbed the high cost attendant upon the curtailment of production necessary to accomplish the further reduction in finished shoe inventory. However, more than offsetting this one-time cost, continued savings over the years will be enjoyed by freeing for other use working capital formerly tied up in finished shoe stocks.

DIVIDENDS

On January 1, 1959, the Company will pay the 191st consecutive dividend on its common stock, completing 46 years of uninterrupted payments.

Payments of 60¢ per share were made on January 1 and April 1, 1958, and 45¢ on July 1 and October 1, 1958, for a total per share for the year of $2.10. Dividends totalling $7,042,808 were paid in 1958.

The owners of the Company's 3,353,718 shares of common stock outstanding numbered 17,257 at year end, an increase of 1,020 during the year.



WAGE AGREEMENT

A new two-year wage contract covering the majority of the Company's employees was completed in September, effective October 1, and expiring September 30, 1960. The contract provided for an increase in wage rates of 4% effective October 1, 1958, and a further increase of 2½% on October 1, 1959.

WORKING CAPITAL

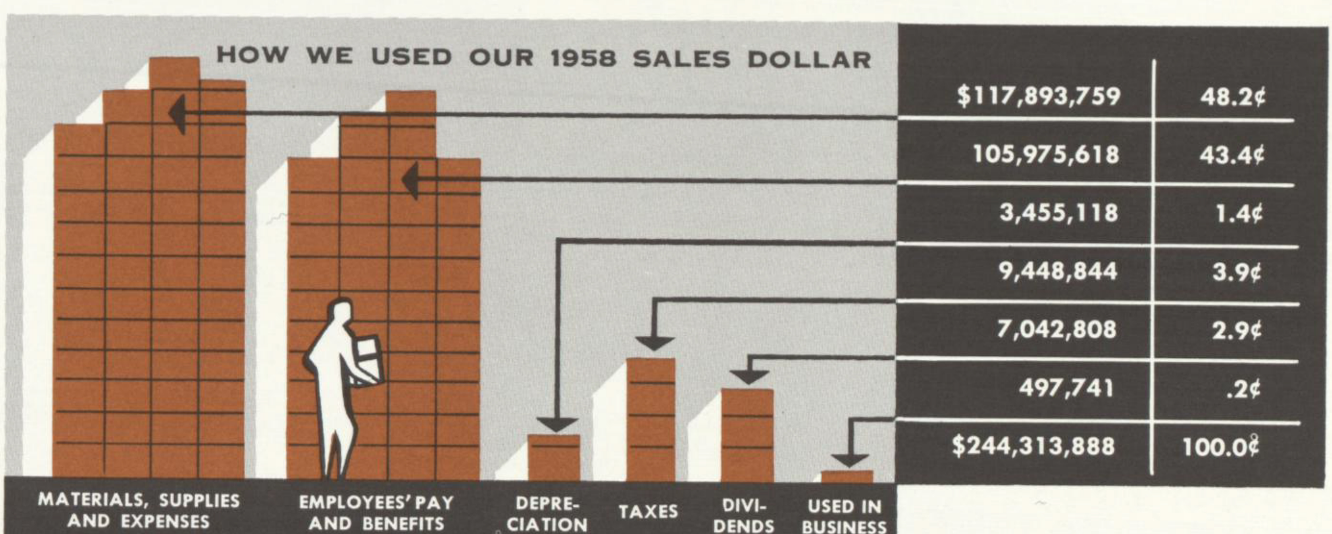
Working capital of $96,790,140 showed a decrease of $250,172 for the year. The ratio of current assets to current liabilities at year end was 4.9 compared with 4.4 at November 30, 1957.

Funds were acquired during 1958 from sources as follows:

Net income for the year	$7,540,549
Excess of depreciation over additions to physical properties	638,043
Decrease in customers' loans receivable	489,769
Decrease in employees' notes receivable	201,520
	$8,869,881

These funds were distributed as follows:

Dividends paid on parent company's common stock	$7,042,808
Net decrease in long-term indebtedness	1,683,583
Increase in sundry investments and deferred charges	152,180
Decrease in minority interests in subsidiary companies	122,688
Increase in excess of investment over equity in subsidiaries (net)	118,794
	$9,120,053
Net Decrease in Working Capital	$ 250,172



OUR EMPLOYEES

On October 1, 1958, a total of 191 retired plant and office employees of the St. Louis Division received their first retirement pension checks as provided in wage agreements with our principal employee groups. This pension program is financed entirely by Company contributions equal to 3% of the gross payroll of employees covered by the agreements.

Employees of The Florsheim Shoe Company and Savage Shoes Limited are covered by separate pension plans administered through their own companies.

During 1958 the Company contributions to the various pension funds amounted to $2,605,111.

At year end our work force numbered 33,500 men and women. The Company looks forward to the continuation of the pleasant employer-employee relationship which has existed with minor exceptions over many years.

PRODUCTION

During 1958 our shoe factories produced 46,298,643 pairs of civilian shoes, compared with 50,144,402 pairs in 1957, a decrease of 8%.

No military shoes were produced in 1958. In 1957, 807,952 pairs of military shoes were produced, bringing total production in that year to 50,952,354. Part of the decrease in production in 1958 was the result of a planned further reduction in finished shoe inventory.

As for many years, our Company continues to be the world's largest manufacturer of shoes by a significant amount.

Tanneries and supply plants produced leather, rubber soles and heels and other items for use principally in our own production having a value of $47,934,410. These items are shown in the production summary on page 9.

INTERNATIONAL SHOE COMPANY PLANT FACILITIES

the company's principal plant facilities include:

MANUFACTURING PLANTS:

58 SHOE FACTORIES
Manufacturing Men's, Women's and Children's shoes.

3 SOLE CUTTING PLANTS
Producing leather outsoles, insoles, midsoles, counters and heels.

2 RUBBER PLANTS
Manufacturing rubber soles and heels.

1 COTTON TEXTILE MILL
Producing cloth for shoe linings.

1 WELT MANUFACTURING PLANT
Producing leather welting.

1 CHEMICAL PLANT
Producing finishes, waxes, polishes and cements.

1 BOX PLANT
Producing cartons and containers.

1 WOOD HEEL COVERING PLANT
Covering and finishing wood heels.

1 LAST REMODELING PLANT
Remodeling lasts.

1 FINDINGS PLANT
Producing stripping, piping, bows, box toes and other shoe findings.

1 DISPLAY SHOP
Producing display items for shoe stores.

1 LEATHER FIBRE PRODUCTS PLANT
Producing leather fibre materials for counters and other shoe components.

TANNERIES:

5 UPPER LEATHER TANNERIES
Tanning shoe upper leather.

1 SOLE LEATHER TANNERY
Tanning shoe sole leather.

SUPPLY PLANTS:

1 UPPER LEATHER SUPPLY PLANT
Warehousing, grading and distributing upper leather to shoe factories.

1 CENTRAL SUPPLY PLANT
Distribution center for shoe findings, materials and supplies.

1 CENTRAL MACHINE SHOP
Repairing and building machinery and equipment.

WAREHOUSES:

8 FINISHED SHOE WAREHOUSES
Warehousing, order filling and shipping of finished shoes.

PRODUCTION SUMMARY

Our Company's principal production is shoes. During 1958 we produced:

SHOES

For Men and Boys	Pairs	17,009,304	Consisting principally of this type of production our sales amounted to **$244,313,888**
For Women and Girls	Pairs	14,237,426	
For Children	Pairs	13,737,500	
House Slippers	Pairs	1,314,413	
		46,298,643	

In addition, our Company carries on a vast amount of other production of materials and supplies used principally by us in the manufacture of shoes. During 1958 we produced:

MATERIALS FOR SHOE UPPERS

Leather for Uppers (including Linings) from Cattle Hides and Lambskins (calfskins tanned under contract not included)	Feet	59,173,676	Value **$17,761,497**
Cloth for Linings from Cotton	Yards	7,804,775	

MATERIALS FOR SHOE BOTTOMS

Soles, of Leather (some shoes take several soles)	Pairs	20,694,535	
Soles, of Rubber	Pairs	17,752,444	
Counters, of Leather	Pairs	5,205,630	
Heels, of Leather (some shoes take leather and rubber heels)	Pairs	3,448,407	Value **$20,243,176**
Heels, of Rubber	Pairs	17,611,515	
Leather, for soles from Cattle Hides	Pounds	7,545,524	
	Feet	1,254,699	
Welting, Leather	Yards	10,495,019	

OTHER MATERIALS AND SUPPLIES

Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns and others	Not Itemized	Value **$9,929,737**

TOTAL VALUE OF PRODUCTION—shoes, materials and supplies **$292,248,298**

LOCATIONS OF SHOE FACTORIES, SUPPLY PLANTS AND WAREHOUSES

MISSOURI
Belle
Bland
Cape Girardeau
Dexter
Eldon
El Dorado Springs
Fulton
Hamilton
Hannibal
Hermann
Houston
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
Poplar Bluff
Richland
St. Charles
St. Clair
St. James
St. Louis
Salem
Sikeston
Sullivan
Sweet Springs
Vandalia
Washington
West Plains
Windsor

ILLINOIS
Anna
Chester
Chicago
Evansville
Flora
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

KENTUCKY
Hopkinsville
Paducah

PENNSYLVANIA
Philadelphia

NEW HAMPSHIRE
Manchester

ARKANSAS
Batesville
Conway
Malvern
Russellville
Searcy

GEORGIA
Atlanta

TEXAS
Bryan

KANSAS
Topeka

ONTARIO, CANADA
Fergus
Galt
Kitchener
Preston

PUERTO RICO
Manati

LOCATIONS OF TANNERIES

South Wood River, Illinois
St. Louis, Missouri
Manchester, New Hampshire
Philadelphia, Pennsylvania
Bolivar, Tennessee
Marlinton, West Virginia

TV SPOTacular!

60 MILLION CONSUMER IMPRESSIONS PER WEEK

Delivered through TV spot commercials in over 130 consumer market areas!

Each brand receives concentrated treatment in individualized spots, while our new "sizzling branding iron" marks each as "A Product of International Shoe Company"!

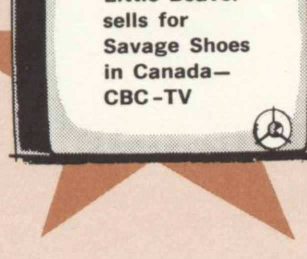
NBC "Queen For A Day" for Grace Walker and Gems

NBC "The Price Is Right" for Trim Tred and Melody

Tom Poston "remembers" to sell for John C. Roberts

Lovely Marion Marlowe Sings for City Club

NBC "It Could Be You" for Velvet Step and Trios



Weather Bird Farm Cartoon Frolic

most spectacular **TV** *advertising program ever seen in the shoe industry*

A selling campaign fitting our position of the World's Largest Shoe Manufacturer! Hard-selling local TV spot commercials get our message directly to our customers during our biggest selling weeks. Complete coordination, pin-pointed at individual dealer level, achieves instant product recognition and compelling sales appeal.

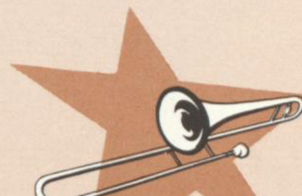
Hip Shoe Shine Boy Pitches for Randcraft

Dancing Soft Shoes Sell for Rand

Poll-Parrot Cartoon Adventure

Humorous Kingsway Lion sells Kingsway style

Red Goose Lays Golden Eggs for Juvenile Sales



Animated Dixie Trombone Sells Wesboro Wardrobe

Plus... powerful ad campaign in America's leading magazines

ACCENT • FLORSHEIM • PANORAMA • QUEEN QUALITY • VITALITY • WINTHROP

ROBERTS, JOHNSON & RAND

PETERS

FRIEDMAN-SHELBY

NORTHEAST
(Manchester, N. H.)

SOUTHEAST
(Atlanta, Ga.)

GENERAL LINE DISTRIBUTION OF ST. LOUIS SALES DIVISIONS

Heading the aggressive sales plans of the general line divisions for increased volume in 1959 is a special promotion named the "Golden Key." This promotion, which is aimed at a substantial increase in the number of independent retailers operating under the Merchants Service Plan in 1959, is sparked by a special incentive to salesmen. Under this plan merchandising aids in all forms backed by specialists with years of experience in retailing are provided to customers concentrating their purchases on International brands.

The "never out" program, the consolidation of the general lines, the introduction of the computer, the opening of two regional warehouses, described in last year's report, have all been accomplished with gratifying success. Many favorable expressions from our customers confirm the complete success of these moves. Two items of major importance stand out. One is the ability of the retailer himself to reduce his inventory. The other is our ability to reduce our finished shoe stocks. At present, with a much smaller finished shoe inventory, we are giving excellent service compared with less satisfactory service from a much larger inventory a few years ago.

Bob Bland proudly receives first cash award from President Henry H. Rand under Golden Key program.

SPECIALTY LINE DISTRIBUTION OF ST. LOUIS SALES DIVISIONS

All of the specialty divisions distributing men's shoes made a creditable showing in 1958 and orders received to date for 1959 shipment indicate a good year for these divisions.

Looking ahead to increased volume in the specialty divisions distributing women's shoes, the Company employed a specialist in the women's field as marketing manager in direct charge of styling, merchandising and selling. Coupled with this move, a separate manufacturing division was established to operate the plants producing these shoes in order to attain a closer relationship between manufacture and sales.

Last fall the Company introduced a completely new line of women's shoes known as Panorama to retail in the $14.95–$16.95 price range. The Panorama shoe will satisfy the demand for high-fashion footwear at these prices. The initial reception of these shoes at the fall shows and by the trade has been excellent.

In mid-1958 all clerical functions of the Company's four women's specialty divisions were consolidated into a single streamlined unit. A sizeable reduction in overhead costs has been attained through this change, in addition to improved customer service.

ACCENT SHOE COMPANY

EXPORT DIVISION

GREAT NORTHERN SHOE CO.

HY-TEST SAFETY SHOES

PENNANT SHOE CO.

QUEEN QUALITY SHOE CO.

VITALITY SHOE CO.

WINTHROP SHOE CO.

VOLUME DISTRIBUTION

CONTINENTAL SHOEMAKERS

HAMPSHIRE SHOE CO.

SENTINEL DIVISION

One of the popular styles from the new Panorama high-fashion line.

THE FLORSHEIM SHOE COMPANY

BOARD OF MANAGERS

WILLIAM H. ARMSTRONG	WELDON P. MAGEE
WILLIAM D. BENJES	MARTIN F. MAHER
WILLIAM COLLINGWOOD	ROBERT O. MONNIG
SIMEON F. EAGAN	OSWALD M. PICK
HAROLD M. FLORSHEIM	HENRY H. RAND
IRVING S. FLORSHEIM	NORFLEET H. RAND
GIFFORD P. FOLEY	JOHN K. RIEDY
BYRON A. GRAY	PAUL M. SMITH
RICHARD A. HEIDER	JOSEPH B. STANCLIFFE
J. LEE JOHNSON	JOHN W. WALLACE

OFFICERS

IRVING S. FLORSHEIM
Chairman

HAROLD M. FLORSHEIM
President

VICE PRESIDENTS

S. F. EAGAN
Manufacturing

O. M. PICK
Sales

J. B. STANCLIFFE
Retail Operations

W. H. ARMSTRONG

G. P. FOLEY

W. D. BENJES

W. P. MAGEE

J. K. RIEDY

M. F. MAHER, Director of Advertising

J. W. WALLACE, Treasurer and Secretary

B. B. CLAYBURN, Assistant Secretary

The Florsheim Shoe Company, largest manufacturer of men's fine-quality shoes, had another good year even though there was a small decline in volume. Part of the decline reflected the contraction of inventories on the part of retailers. Through an energetic cost reduction program the Company substantially maintained its profit margin.

Completed and officially opened in March 1958 was the new warehouse in Chicago, the distribution center for all Florsheim men's shoes. Space formerly occupied at 130 South Canal Street has been converted to shoe carton manufacturing formerly done in rented space.

The arrangement completed in 1957 with Madam Micol Fontana of Rome to design women's fashion shoes exclusively for Florsheim was accepted with great enthusiasm by the dealers. With a limited productive capacity for these styles, it was necessary the first season to restrict the distribution of these shoes.

Last year the Company completed its largest postwar rebuilding program for Company-owned stores. Considered by professional architects and designers to be one of America's outstanding shoe stores is the remodeled Florsheim Shoe Salon for Women at 41 North Wabash Avenue in Chicago. In addition to the regular line of Florsheim shoes for women, the new shop also features a complete selection of Fontana styles. The magnificent Italian Renaissance decor provides a fitting background for this type of high-fashion operation.

Men's shoes, by Florsheim, continue to merit their reputation of bearing the best-known name in the industry. They are being advertised and promoted with special emphasis on the "American Look."

Beautiful Florsheim Shoe Salon for Women at 41 North Wabash Avenue, Chicago, remodeled in 1958.

SAVAGE SHOES LIMITED

Savage Shoes Limited, our Canadian subsidiary and Canada's largest shoe manufacturer, achieved an increase in sales in 1958 and set another record high year for the Company.

Savage has established an enviable record as an aggressive manufacturer of quality footwear. Growth of the Company has been well-rounded. Last year's annual report described the new finished shoe warehouse put in operation in April 1957 and the addition to the Fergus plant under construction at year end.

Plans have now been completed for a new 47,000 square-foot factory to be erected in Galt to replace a smaller, outmoded factory. The new plant will have a very efficient work-flow system, and production time will be reduced as much as 25%. Daily production of 6,000 pairs is planned, almost double the production of the present Galt factory.

Savage's advertising and merchandising programs have played important roles in the Company's growth. The Company has set the pace for the Canadian industry, and its close integration of national and local dealer programs has become an example in Canada of effective marketing procedure. The successful half-hour TV series "Leave it to Beaver" is co-sponsored nationally across Canada by Savage; television is also employed in French-speaking Quebec province.

There is every reason to believe that Savage will continue its growth.

Savage Shoes

DIRECTORS

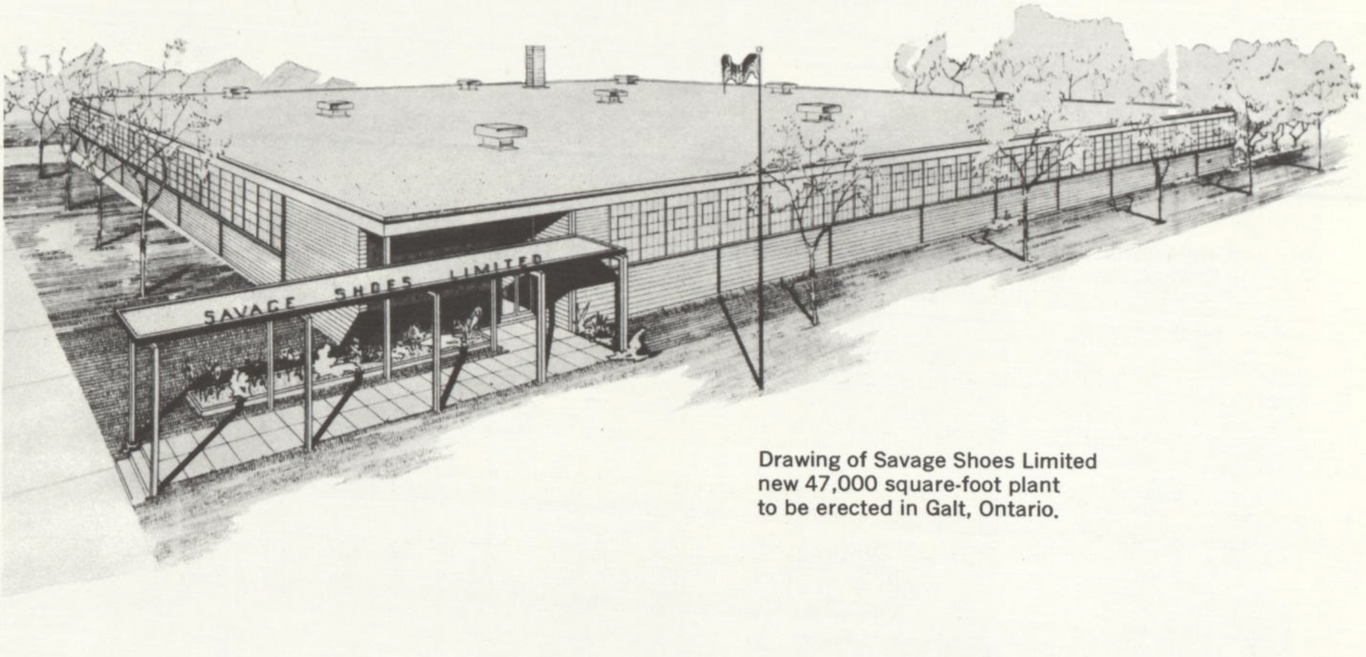
C. REG KIDNER
JOHN S. MALCOLM
ROBERT O. MONNIG
HENRY H. RAND
NORFLEET H. RAND
LAURENCE M. SAVAGE

OFFICERS

LAURENCE M. SAVAGE
President

C. REG KIDNER
Vice-President & Secretary-Treasurer

JOHN S. MALCOLM
Vice-President



Drawing of Savage Shoes Limited new 47,000 square-foot plant to be erected in Galt, Ontario.

10 year consolidated financial

YEARS ENDED

	1958	1957	1956
NET SALES	$244,314	$266,073	$266,814
INCOME BEFORE TAXES	15,554	18,675	22,123
FEDERAL AND CANADIAN INCOME TAXES	7,938	9,095	11,246
NET INCOME (1)	7,541	9,577	11,849 (3)
DIVIDENDS PAID	7,043	8,054	8,062
PERCENTAGE OF NET INCOME TO SALES	3.1%	3.6%	4.4%
PER SHARE—NET INCOME (2)	$ 2.25	$ 2.86	$ 3.53 (3)
PER SHARE—DIVIDENDS	2.10	2.40	2.40
CASH AND GOVERNMENT SECURITIES	$ 12,317	$ 8,495	$ 8,892
RECEIVABLES	43,468	45,304	46,778
INVENTORIES	65,473	71,613	74,409
PREPAID EXPENSES	404	593	564
TOTAL CURRENT ASSETS	121,662	126,005	130,643
CURRENT LIABILITIES	24,872	28,965	31,253
WORKING CAPITAL	96,790	97,040	99,390
PHYSICAL PROPERTIES (NET)	37,882	38,520	37,054
OTHER ASSETS	10,836	11,257	10,657
LONG-TERM DEBT	41,316	42,999	44,415
MINORITY INTERESTS IN SUBSIDIARIES	912	1,035	1,228
STOCKHOLDERS' EQUITY	$103,280	$102,783	$101,458
SHARES OF COMMON STOCK OUTSTANDING	3,353,718	3,353,718	3,358,703
STOCKHOLDERS' EQUITY PER SHARE	$30.80	$30.65	$30.21

(1) After adjustment for minority interests.
(2) Based on shares outstanding.
(3) Includes nonrecurring items which increased net income $1,101,325 or 33 cents per share.

review

INTERNATIONAL
SHOE COMPANY

NOVEMBER 30

1955	1954	1953	1952	1951	1950	1949
	(DOLLARS IN THOUSANDS)					
$262,414	$246,765	$251,028	$217,042	$225,070	$199,009	$190,353
21,847	21,659	19,508	17,116	20,170	19,386	12,457
11,448	11,592	9,687	8,859	11,459	8,248	4,711
10,414	10,203	9,931	8,287	8,837	11,138	7,747
8,095	8,131	8,139	8,096	8,158	8,669	10,200
4.0%	4.1%	4.0%	3.8%	3.9%	5.6%	4.1%
	(IN DOLLARS)					
$ 3.10	$ 3.01	$ 2.93	$ 2.44	$ 2.61	$ 3.28	$ 2.28
2.40	2.40	2.40	2.40	2.40	2.55	3.00
	(DOLLARS IN THOUSANDS)					
$ 10,639	$ 10,443	$ 11,527	$ 23,168	$ 6,149	$ 4,494	$ 5,997
40,621	40,335	41,028	34,472	26,211	36,126	28,892
71,848	72,968	72,822	59,051	58,674	47,764	47,040
430	564	574	976	842	742	675
123,538	124,310	125,951	117,667	91,876	89,126	82,604
27,223	38,704	39,608	25,575	23,815	21,640	17,484
96,315	85,606	86,343	92,092	68,061	67,486	65,120
36,800	35,787	33,217	23,010	22,242	22,593	23,831
10,394	9,609	10,972	8,065	5,227	4,978	3,867
44,655	33,552	34,958	30,000	2,592	2,692	2,891
1,152	884	900	214	213	—	—
$ 97,702	$ 96,566	$ 94,674	$ 92,953	$ 92,725	$ 92,365	$ 89,927
3,359,503	3,386,203	3,390,803	3,392,753	3,391,100	3,399,200	3,400,000
$29.08	$28.52	$27.92	$27.40	$27.34	$27.17	$26.45

CONSOLIDATED FINANCIAL POSITION

November 30,	1958	1957
Current assets:		
Cash	$ 11,557,462	$ 7,840,775
United States Government securities, at cost	759,506	654,052
Receivables—trade and sundry, less allowance for cash discounts and doubtful accounts	43,467,751	45,303,846
Inventories (Note 2)	65,473,172	71,613,174
Prepaid insurance premiums, taxes and sundry	403,877	592,815
Total current assets	121,661,768	126,004,662
Less—current liabilities:		
Notes payable to banks	290,000	195,000
Current maturities of long-term debt	1,683,583	1,656,916
Accounts payable and accrued expenses	15,286,792	17,418,474
Employees' balances and tax withholdings	1,545,409	1,776,883
Federal and Canadian taxes on income	6,065,844	7,917,077
Total current liabilities	24,871,628	28,964,350
Net working capital	96,790,140	97,040,312
Physical properties—based on appraisal April 30, 1925, plus subsequent additions at cost, less accumulated depreciation (Note 3)	37,882,118	38,520,161
Customers' secured loans, deferred maturities	8,034,058	8,523,827
Excess of investment over equity in subsidiaries (net)	717,238	598,444
Employees' notes receivable for stock, secured by 59,018 shares and 63,618 shares of parent company's common stock	1,296,538	1,498,058
Sundry investments and deferred charges	788,622	636,442
	145,508,714	146,817,244
Deduct:		
Long-term debt, less current maturities (Note 4)	41,315,750	42,999,333
Minority interests in subsidiaries	912,487	1,035,175
	42,228,237	44,034,508
STOCKHOLDERS' EQUITY	$103,280,477	$102,782,736
Represented by:		
Common stock without nominal or par value: Authorized 4,000,000 shares; issued 3,400,000 shares	$ 51,000,000	$ 51,000,000
Capital in excess of stated amount	1,319,004	1,319,004
Retained earnings (Note 5)	52,903,516	52,405,775
	105,222,520	104,724,779
Less common stock in treasury, 46,282 shares both years, at cost	1,942,043	1,942,043
Stockholders' equity applicable to common stock outstanding, 3,353,718 shares both years	$103,280,477	$102,782,736

See accompanying notes to financial statements.

CONSOLIDATED INCOME and RETAINED EARNINGS

Years Ended November 30,	1958	1957
Sales and other income:		
Net sales	$244,313,888	$266,073,480
Income from rentals and services	304,635	364,499
Interest and other income	689,317	621,275
	245,307,840	267,059,254
Deductions:		
Cost of sales, selling, general and administrative expenses (Note 7)	227,647,148	246,124,329
Interest and amortization of expense on long-term debt	1,525,505	1,555,788
Other interest and sundry charges	581,678	704,611
	229,754,331	248,384,728
Income before Federal and Canadian taxes on income	15,553,509	18,674,526
Federal and Canadian taxes on income, estimated	7,938,113	9,095,045
	7,615,396	9,579,481
Proportion of net profit of subsidiaries applicable to minority interests	74,847	2,200
NET INCOME FOR YEAR APPLICABLE TO CAPITAL STOCK OF COMPANY	7,540,549	9,577,281
Retained earnings at beginning of year	52,405,775	50,882,427
	59,946,324	60,459,708
Dividends on common stock:		
$2.10 per share in 1958 and $2.40 per share in 1957	7,042,808	8,053,933
RETAINED EARNINGS AT END OF YEAR	$ 52,903,516	$ 52,405,775

See accompanying notes to financial statements.

ACCOUNTANTS' REPORT

TO THE BOARD OF DIRECTORS
INTERNATIONAL SHOE COMPANY:

We have examined the statement of consolidated financial position of International Shoe Company and subsidiaries as of November 30, 1958, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated income and retained earnings present fairly the financial position of International Shoe Company and subsidiaries at November 30, 1958, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri
December 31, 1958

INTERNATIONAL SHOE COMPANY

NOTES TO FINANCIAL STATEMENTS

(1) PRINCIPLES OF CONSOLIDATION:

All subsidiaries (including one Canadian) with a 51% or greater ownership are included in the consolidated financial statements in accord with established policy of the company. Operating results from acquisition date of newly acquired subsidiaries are included in consolidated income.

Insofar as practicable, all intercompany accounts, transactions and unrealized profit in inventories have been eliminated in consolidation.

(2) INVENTORIES:

	November 30 1958	1957
Finished shoes	$32,766,936	$36,147,352
Shoes in process	2,842,999	3,551,999
Hides and leather	11,947,029	13,540,151
Miscellaneous materials on hand and in process	17,916,208	18,373,672
	$65,473,172	$71,613,174

Fifty-four per cent of the inventories at current values are priced at cost, last-in, first-out (lifo). The remainder of the inventories, including all miscellaneous materials and supplies, are priced at the lower of cost, first-in, first-out, or replacement market.

(3) PHYSICAL PROPERTIES:

	November 30 1958	1957
Land	$ 3,646,065	$ 3,651,757
Buildings and structures	39,188,062	38,538,779
Machinery and equipment	38,428,498	37,828,404
Lasts, patterns and dies	1	1
	81,262,626	80,018,941
Less accumulated depreciation	43,380,508	41,498,780
	$37,882,118	$38,520,161

Properties of Twelfth-Delmar Realty Company (net balance November 30, 1958, $2,659,933) are pledged as collateral on mortgage notes payable to banks.

(4) LONG-TERM DEBT, LESS CURRENT MATURITIES:

	November 30 1958	1957
3½% promissory installment notes, due annually $1,125,000, 1962 through 1981 and balance in 1982	$30,000,000	$30,000,000
3⅛% promissory installment note, payable $1,500,000 annually 1960 through 1965	9,000,000	10,500,000
Mortgage notes payable, an obligation of Twelfth-Delmar Realty Company, payable $10,000 monthly, and balance December 1, 1963	1,690,000	1,808,333
5½% sinking fund debentures, obligations of Savage Shoes Limited:		
Series A, annual sinking fund requirements $48,750 to 1961 and $52,500 thereafter	408,750	457,500
Series B, annual sinking fund requirements $16,500 to 1966 and $17,000 thereafter	217,000	233,500
	$41,315,750	$42,999,333

(5) RETAINED EARNINGS RESTRICTIONS:

Retained earnings of $28,470,720 at November 30, 1958, are restricted as to payment of cash dividends on common stock by the 3½% promissory note agreement. The note agreement also provides that no payment be made for dividends unless consolidated net working capital shall be at least $50,000,000.

(6) COMMON STOCK SUBJECT TO OPTIONS:

Number of Shares	Expiration Date	Option Price	Market at Date of Grant
27,000	October 18, 1959	$40	$41¾
300	December 26, 1960	41	42¾
5,240	April 9, 1962	39½	39½
1,000	September 9, 1962	38½	38½

(7) CERTAIN CHARGES TO OPERATIONS:

	1958	1957
Depreciation of physical properties	$3,455,118	$3,327,648
Maintenance and repairs	4,470,329	5,049,489
Taxes other than income taxes	4,700,609	5,200,498
Rentals of real property	4,525,962	4,297,234
Rentals of shoe machinery	2,032,254	2,112,724

INTERNATIONAL SHOE COMPANY DISPLAYS

sell shoes

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